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2 June 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

Khrushchev's speech in Moscow on 28 May carried forward the effort initiated in his East Berlin address to minimize any adverse consequences of the summit failure on Soviet foreign policy. Although he again attacked President Eisenhower's handling of the U-2 incident, Khrushchev apparently is beginning to work back toward his pre-summit position which drew a distinction between the President and "cold-war forces" in the US. Khrushchev has urged that Asian nations, including Communist China, should participate in a summit conference. This could provide an out from his commitment to maintain the status quo in Berlin until a new summit convenes in "six to eight months."

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TURKISH MILITARY COUP Page 6

The new government of Turkey, under the leadership of General Cemal Gursel, appears to have the support of most of the nation. The regime has pledged to maintain all of Turkey's treaty commitments and appears desirous of continuing close relations with the United States. Most leaders of the previous government are under detention, and it now seems likely that several will be brought to trial for "unconstitutional acts." The Republican People's party, headed by Ismet Inonu, appears likely to regain power in the elections to be held following the drafting of a new constitution.

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The establishment of diplomatic relations with Communist China may come this month, following a campaign already under way to stress Cuban-Chinese cultural ties. During his official visit to Buenos Aires, President Dorticos showed little respect for the Argentine Government. Latin American countries on his itinerary are treating him properly but coolly.

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PART II**NOTES AND COMMENTS****PEIPING CHARGES UNITED STATES WITH "MILITARY PROVOCATIONS" Page 1**

Communist China's "serious warnings"--now numbering 103--have been used as part of the propaganda effort to justify Peiping's animosity toward the United States. The Chinese, probably calculating that their alleged grievances over "violations of territorial sovereignty" would gain credibility as a result of the U-2 incident, used the 100th warning as an occasion for charging the United States with a deliberate program of "military provocations against China." Peiping claims the "occupation of Taiwan" also is provocative, but there is no major campaign at this time urging "liberation," as there was preceding the 1958 crisis.

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LEONID BREZHNEV--NEW "PRESIDENT" OF THE USSR Page 2

Leonid Brezhnev, newly elected chairman of the Presidium of the USSR Supreme Soviet, has had experience as a member of the top party leadership and is apparently a close associate of Premier Khrushchev. At the time of his election to the "presidency," he was a central committee secretary whose responsibilities extended into the fields of heavy industry, the armed forces, and the secret police. While the office of head of the Soviet state has heretofore been little more than a ceremonial sinecure, it could be given increased importance under the direction of an energetic party careerist.

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PART II (continued)**THE USSR AND WEST EUROPEAN ECONOMIC GROUPINGS Page 3**

Moscow at the annual meeting of the UN Economic Commission for Europe again this year advocated the establishment of a trade association including Western Europe, the USSR, and its satellites. This effort appears intended largely to harass and if possible prevent West European moves toward economic integration, which have been more successful than similar bloc moves. Moscow apparently fears the development of anti-Soviet attitudes and the imposition of common economic policies against the USSR.

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YUGOSLAVIA PONDERES THE POST-SUMMIT PERIOD Page 4

Yugoslavia is seeking the cooperation of such "uncommitted" states as India and the UAR for concerted action to ease the post-summit situation. Belgrade probably believes this initiative will enhance Yugoslavia's international prestige and, by strengthening its identification with the "uncommitted" countries, inhibit the bloc from mounting a sustained anti-Yugoslav campaign.

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EAST GERMANS RENEW EFFORTS TO CURB REFUGEE FLOW Page 5

Khrushchev's decision to postpone action on the Berlin problem for "six to eight months" was a disappointment to the East German party leadership. Apparently party boss Ulbricht had expected to be permitted to take rigorous measures against West Berlin after Khrushchev's belligerent posture in Paris. The East Germans face the problem of curbing the refugee flow without intensifying controls on the sector borders within Berlin. To accomplish this, they reportedly intend to take stricter measures to control access to East Berlin from East Germany and to restrain movements within the country.

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RUMANIA SCHEDULES AMBITIOUS SIX-YEAR PLAN Page 6

The recently published Rumanian draft directives on the Six-Year Plan (1960-65) outlined an economic program which is overambitious but does not measure up to the Bulgarian "leap forward." All major economic indicators show a faster planned rate of growth than characterized the Second Five-Year Plan (1956-60), which was terminated--but not fulfilled--a year ahead of schedule. Although substantial increases in industrial production and some gains in agricultural output and the standard of living will probably be made, the regime will have great difficulty achieving many of its goals, especially for agriculture, iron and steel, housing, and national income.

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PART II (continued)**MIDDLE EAST DEVELOPMENTS Page 8**

The Iraqi Government has obtained an additional economic aid credit of \$45,000,000 from the Soviet Union. Prime Minister Qasim's remarks at a subsequent press conference suggest, however, that he intends to continue measures to undermine Iraqi Communists. With elections in Lebanon scheduled to begin on 12 June, UAR agents, as well as leaders of numerous Lebanese political factions in and outside the government, are intensifying their efforts to manipulate lists of candidates.

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MOROCCAN ELECTIONS Page 10

The strength of rival Moroccan political groups was to some extent delineated in the 29 May local elections, which the King had sought to keep free from party politics. Members of the rightist Istiqlal party won nearly half of the more than 10,000 municipal and local council seats, while the leftist National Union of Popular Forces--which refused to participate in the King's government installed on 26 May--captured only 30 percent of the seats, these included council majorities in key industrial cities.

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ALGERIAN ELECTIONS Page 11

French officials in Algeria feel the cantonal elections of 27-29 May--in which 55 percent of the electorate went to the polls--came off "about as well as could be expected." Despite attempts by the Algerian rebels to boycott the elections, the abstention rate was no higher than usual, and 60 percent of the lists elected supported De Gaulle's self-determination program. The elections were accompanied by stepped-up fighting along Algeria's borders, a development which may lead to new French moves to press Morocco and Tunisia to deny safe havens to rebel forces.

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POLITICAL SITUATION IN KENYA Page 12

Kenya's Europeans are increasingly apprehensive over a possible revival of Mau Mau terrorism in connection with the Africans' agitation for independence. Europeans opposed to African rule may form a single group and seek the support of conservative tribal chiefs. Meanwhile, rival nationalist leaders are acting to curb the activities of Tom Mboya and are attempting to set up a single party of their own.

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PART II (continued)**MALI-FRANCE Page 13**

Relations between France and the Mali Federation of Senegal and Soudan, which is soon to be independent, have been clouded by the apparent involvement of French rightist elements in smuggling arms from Senegal to opponents of the Touré regime in Guinea. The affair has shaken confidence in France among Senegal's moderate leaders, who until now have countered in the federal government the influence of the more radical, pro-Guinean Soudanese. Pressure now may mount in Mali for the cancellation of the military rights accorded France under one of the "cooperation agreements" initialed in April. [redacted]

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NEW LAOTIAN GOVERNMENT Page 14

Premier-designate Tiao Somsanith is expected to form another coalition government, but one which in reality will be dominated by the militantly anti-Communist Committee for Defense of National Interests (CDNI). Somsanith's chances for investiture by the National Assembly are reasonably good, and his investiture will be virtually certain if former Premier Phoui's Rally of the Lao People (RLP) is given adequate minority cabinet representation. Whatever the composition of the cabinet, CDNI leader General Phoumi, as defense minister, will probably hold the real power in the government. [redacted]

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INDONESIA Page 15

President Sukarno returns to Indonesia on 4 June from a two-month global tour. The unprecedented criticism of him and his appointed parliament which developed during his absence has abated, and all opposition factions are taking positions which they hope will be acceptable to Sukarno. Criticism has centered on Sukarno's appointment of Communists to about one quarter of the seats in the parliament, which is to be convened in June. Although Sukarno may make minor concessions, he is unlikely to negotiate with his most vocal critic, the Democratic League. His attitude toward army leaders, who quietly supported the league, apparently will await his further assessment of the domestic situation. [redacted]

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SOUTH KOREAN SITUATION Page 16

Although former South Korean President Rhee's recent flight to Hawaii led some student demonstrators to demand the resignation of the Huh government and the recall of American Ambassador McConaughy, the largely negative public response to the demonstrations reflects the high degree of public support enjoyed by the provisional regime

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PART II (continued)

and its reform program. Huh, however, may find it increasingly difficult to maintain orderly processes of government. The exploitation of public resentments against the Rhee regime by political aspirants may force him to expand the purge of civil and military officials tainted by association with the old regime.

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ITALY'S CHRISTIAN DEMOCRATS SIDE-STEP POLICY SHOWDOWN . . . Page 17

The National Council, highest policy-making body of the Italian Christian Democratic party, wound up four days of debate at the end of May with an innocuous motion reaffirming the party's nominal adherence to a center-left orientation. Although there were some indications of increasing support for a government dependent on the Nenni Socialists, opinion remained strongly divided on an "opening to the left," and the issue in effect has been deferred until October, when the six-month mandate of the caretaker Tambroni government expires.

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PANAMA'S NEXT ADMINISTRATION Page 18

President-elect Chiari, victor by an upset in Panama's 8 May election, is to assume office on 1 October as the head of a coalition formed of many diverse elements. The stability of the government will depend on the degree to which it retains National Guard support and can bring about some improvement in the internal economic situation. Chiari was supported by prominent anti-US elements during the election campaign, and he will probably continue to press for more canal benefits.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****2 June 1960****PART III****PATTERNS AND PERSPECTIVES****THE COMMUNIST PARTY IN CUBA Page 1**

Communists are playing a more extensive and active role in the revolutionary processes now remaking the economic and political life of Cuba than they have done in any other Latin American country. Communists or pro-Communists at present head the armed forces, the important National Agrarian Reform Institute, the National Bank, and the Ministry of Public Works. They wield extensive authority in various propaganda media and organized labor and appear to exercise considerable influence in the formulation of foreign policy. [REDACTED]

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SOVIET RELATIONS WITH CAIRO AND BAGHDAD Page 5

The USSR is continuing its five-year-old campaign to eliminate Western influence in the Middle East and to bring about the closure of Western military bases. Moscow was initially successful in reaping substantial gains from Cairo's anti-Western nationalism, but became involved in an open dispute with Nasir when the traditional Cairo-Baghdad rivalry revived following strong Soviet support for the Iraqi revolutionary regime. Soviet leaders now are trying to overcome the effects of this quarrel and to maintain close ties with Qasim--which have recently cooled somewhat--by "personal diplomacy," additional aid, and assurances of political support. [REDACTED]

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WAGE, SALARY, AND INCOME CHANGES IN THE USSR Page 13

The Khrushchev regime has taken a number of measures which are tending to redistribute incomes in the Soviet Union and narrow their wide differentials. These measures include a substantial increase in agricultural incomes relative to incomes of urban workers; changes favorable to

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low-income groups in minimum wages, taxes, and pensions; and reductions in salaries and bonuses of some highly paid groups. Certain changes in regional wage scales and employment benefits are intended to narrow differences in incomes between various areas in the USSR.

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PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS

In a speech in Moscow on 28 May, Khrushchev carried forward the effort initiated in his East Berlin address to minimize any adverse consequences of the summit failure on Soviet foreign policy. In elaborating on his explanation of the U-2 incident and the Paris talks, Khrushchev again sought to explain and justify the contradiction between his policy of detente and his performance in Paris. He asserted that "we have operated, still operate, and will operate" in the direction of relaxing international tensions, despite the collapse of the summit conference. He concluded that Soviet policy was "correct and just" and asked, "Why should it be changed?"

Although he ridiculed President Eisenhower and again attacked the United States on the U-2 incident, Khrushchev apparently is beginning to work back toward his pre-summit position which drew a distinction between the President and "cold-war forces" in the US. Conjuring up a contrast between the President's "good intentions" and US foreign policy, Khrushchev said, "I still believe President Eisenhower himself wants peace." In this manner the Soviet premier is apparently seeking to protect himself from any charges that he was mistaken in his judgment and had allowed himself to be deceived by the President.

Khrushchev took the unusual step of specifically denying speculation that internal opposition or pressure from Communist China was responsible for his

behavior in Paris, as well as Western conjectures that Mikoyan may be in trouble. His references to Mikoyan, however, were sufficiently vague to leave Mikoyan's status in doubt. A future demotion remains a possibility, although any move against him may be put off for some time, as was the case with Bulganin.

Although in his speech Khrushchev again expressed hope that a new summit meeting would take place in "six to eight months," he added that he would not be surprised if this did not occur. His call for the inclusion of Communist China, India, Indonesia, and other countries in future meetings could be designed to open a way out of the commitment he made in his 20 May speech in Berlin to maintain the status quo there until a new summit. He again counseled patience until a new meeting and reaffirmed his intention to strive in the meantime for negotiated settlements of outstanding problems, including the German and Berlin questions.

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East German party chief Ulbricht urged Khrushchev to take prompt action on a separate peace treaty with East Germany, on the ground that a summit conference in six to eight months was highly unlikely. Ulbricht reasoned that Western agreement to a new summit would probably be conditional on positive assurances against a repetition of the events in Paris, and

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Khrushchev agreed with this evaluation. The Soviet premier refused, however, to commit the USSR to a specific timetable on a separate peace treaty, and agreed only to Ulbricht's suggestion that the Berlin and German treaty questions be raised through diplomatic channels.

In a public lecture on international affairs in Moscow, the speaker emphasized that the current increase in international tension was of a temporary nature and assured his audience that the "basic forces" leading to a relaxation of tension were still operative. The lecturer claimed that, in contrast to the "consistent failures" prior to Stalin's death, subsequent Soviet efforts to reduce tension had been successful; as the summit approached, however, it became clear that no progress could be expected on Berlin, and the US announcement on 7 May of plans to conduct nuclear tests to improve detection techniques "scuttled" the sole issue with good prospects for agreement.

According to an American Embassy officer attending the lecture, the audience appeared concerned over the possible effects on US-Soviet relations of a trial of Francis Powers and the conclusion of a separate East German peace treaty.

The Soviet press treatment of foreign reactions to Khrushchev's speech stresses expressions of hope that a policy of detente will continue and that there is still a prospect for East-West negotiations. Pravda on 30 May quotes The New York Times that "Khrushchev is obviously holding to his course"

on more consumer goods and on his effort "to maintain peace by means of diplomatic negotiations with the West." TASS dispatches from Paris, London, and Bonn report that Khrushchev's speech is being interpreted as an indication that Moscow will continue its detente policy.

Marshal Malinovsky's 30 May warning that he had instructed Soviet missile forces to retaliate against the base of any aircraft intruding on the air space of the USSR or its allies was designed to maintain the momentum of the Soviet campaign against American bases abroad. He was careful to restrict his order for retaliation to bases, and he refrained from using Khrushchev's broader threat to strike against both the base and the country which controlled the base. Thus far, Soviet propaganda has stressed Malinovsky's statement that his order to Soviet forces was intended as a "warning and not a threat."

Nuclear Test Talks

In the first meeting of the nuclear test talks since the summit, Soviet delegate Tsarapkin made it clear that further progress on developing a research program for improving methods of detecting small underground explosions would be dependent on agreement on the duration of the moratorium on these tests. However, the Soviet experts discussing aspects of the research program allowed the talks to adjourn on 30 May without provoking a dispute over the final report.

In agreeing that each delegation should report back to its own political delegation,

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the chief Soviet expert noted that basic differences remained on the number of test explosions, the use of experimental tests to investigate the possibility of muffling the shock of underground explosions, and the use of tests in the range of one kiloton or less. He also stressed that since Moscow could not begin the work involved in a research program until it was assured that the control system would be installed, the program could not be implemented until a treaty was signed.

Soviet tactics in returning the unresolved questions to the political conference suggest that Moscow will refuse to commit itself to a program sanctioning US tests before resolution of the main political questions--duration of the moratorium and the annual quota for on-site inspections. As a means to extract concessions on these two issues, the Soviet delegation probably hopes to exploit Western desire to begin the research as soon as possible.

As an additional form of pressure, directed primarily toward the British delegation, Tsarapkin echoed Khrushchev's warning that unilateral experimental testing by the United States would be interpreted as freeing the USSR from its commitment not to resume testing. Tsarapkin elaborated on Khrushchev's statement by adding that the USSR would consider itself free to resume weapons tests of any size and in any environment.

Peiping's Reaction

Although Khrushchev's latest speech in Moscow was printed on

30 May in People's Daily, the official Chinese party organ, Peiping did not highlight the part about possible Chinese participation at the next summit and has not commented thus far on the speech. Instead, Peiping has emphasized the futility of such negotiations because "US imperialism will never change." Chinese comment on President Eisenhower's report to the nation has concentrated on the "fake" American peace gestures and the need to "expose" them and has concluded that peace can be safeguarded "only by waging a resolute struggle against the US."

Peiping's leaders apparently have no illusions about their chances of participating in a future summit conference. They undoubtedly view a future summit meeting--as the Chinese Communist ambassador in Cairo recently suggested--as unlikely to yield them any practical results, particularly in regard to reducing American support for the Chinese Nationalists. The ambassador stated that Peiping cannot accept statements of American good intentions as long as the US continues its "occupation" of Taiwan.

Western Positions

French President de Gaulle's 31 May speech castigated Khrushchev for scuttling the summit. De Gaulle voiced France's willingness to continue all efforts to relax tensions in order to avoid the "monstrous peril" of nuclear war, but he also called for a return to the "methodical steps of diplomacy" as the means to this end. His formula for relaxing tensions included the two French proposals he originated and has persistently pushed--controlled disarmament aimed

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at vehicles capable of carrying nuclear weapons, and East-West cooperation on aid to underdeveloped nations.

De Gaulle cited the solidarity the West exhibited at the summit and stressed France's intention to remain an integral part of the Atlantic alliance. He nevertheless reiterated that France "must be sole mistress of her resources and her territory," underlining at the same time his insistence on "ever closer coordination" of Western policy and strategy. He also stressed the growing importance of an increasingly integrated Western Europe in international affairs, and forecast a "European entente from the Atlantic to the Urals."

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TURKISH MILITARY COUP

The military coup in Turkey on 27 May was accomplished with few casualties, and the new administration appears to have substantial public support. Demonstrations favoring the new regime continued this week in both Istanbul and Ankara. The reaction in most rural regions, where deposed Premier Mederes enjoyed his greatest popularity, has indicated that no active opposition is to be expected from this quarter. In southeastern Turkey, where some 2,000,000 Kurds form an important minority, several tribal leaders reportedly have been arrested. Whether these leaders were followers of the ousted Menderes, Moscow-trained Communists, or proponents of an independent Kurdistan is not yet clear.

Preparation for the coup apparently began several weeks ago and was stepped up following the demonstration in Ankara by military academy cadets on 21 May. While planning appears to have originated with younger officers, the leadership was offered to, and accepted by, several of the nation's highest ranking officers. These officers joined with certain field-grade officers to form the Committee of National Unity, which assumed supreme power immediately following the coup. Leadership of the committee was given to General Cemal Gursel, 65-year-old career officer who had retired as commander of the Turkish Ground Forces on 5 May in protest against the government's use of the army to restrict its opposition.

On 29 May, Gursel announced formation of an interim cabinet

of three officers and 15 civilian technical experts to govern Turkey until a new constitution can be drawn up and elections held. The cabinet has several capable and experienced members, none of whom has been active in Turkish politics in recent years. The new foreign minister, Selim Sarper, is a former Turkish diplomat at both NATO and the UN; he is regarded as very pro-American.

According to Gursel, elections will be held in about three months. He has stated that he will step down as soon as elections are held and has denied he will be a candidate for any office. The new constitution, being prepared by a committee of legal experts from the universities, will provide for a bicameral legislature, to replace the dissolved Grand National Assembly, and a judicial system similar to that in the United States to review the constitutionality of legislation. For the present, all political party activity is prohibited.

The new government immediately sought to assure its allies--particularly the United States--that it would continue to observe all treaty and economic obligations. The new government has been recognized by all major Western powers and by the Soviet Union. The Greek Government has been informed that Turkey will continue to seek a Cyprus settlement in line with the agreements negotiated by the previous government.

Nearly all leaders of the deposed government are under detention and, according to

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reports, are being well treated. The new government has appointed a committee to investigate the activities of these leaders to determine if there is a basis for a trial before civilian courts. Charges are being circulated that members of the previous administration were engaged in corruption and were planning illegal moves against the opposition. Gursel originally indicated that such trials would not take place until after elections, but they are likely to be moved up.

The Democratic party, with most of its leaders detained, now must reorganize, probably under the leadership of those

who actively opposed the repressive policies of Menderes. Gursel has stated that the Democrats will be permitted to participate in the elections but has indicated that those convicted of "unconstitutional acts" will not be allowed to run as candidates.

The Republican People's party, meanwhile, appears likely to regain power after ten years. Its leader, Ismet Inonu, who apparently had no direct role in the coup but whose advice has been sought by members of the new government, has urged that there be no vindictive measures against the ousted Democratic leaders.

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CUBA

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or July accompanied by Soviet pilots and technicians. Possibly in a prior move to purge the air force of personnel whose loyalty to the Castro regime is in doubt, Raul Castro is reported to have arrested 23 pilots and 22 enlisted men on trumped-up charges in the past few days.

The US service attachés in Havana have a reliable report that only four Soviet technicians now are advising the Cuban Air Force, and that air force personnel have been told that MIG aircraft are due to arrive in Cuba in late June

The expected establishment of relations between Cuba and Communist China may come in June. The Peiping Opera Company will spend most of the month in Cuba as the highlight of a long-planned campaign emphasizing cultural ties between the two countries. The newly formed Cuban-Chinese Friendship Association, headed by pro-Communist Cubans who have recently visited Peiping, will probably play a prominent role

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in the campaign. [REDACTED]

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Peiping has shown special sympathy for Castro's revolution, and Cuba seems to be a key target in plans for stepped-up Chinese propaganda activity in Latin America.

During an official visit to attend Argentine independence celebrations in Buenos Aires from 25 to 29 May, the Cuban delegation headed by President Dorticos concentrated on efforts to attract popular support for the Castro regime and showed little respect for the Frondizi government. Dorticos flouted protocol, made vicious attacks on the United States

before a pro-Communist university group, and went out of his way to meet with leaders of an actively antigovernment, Peronista labor group..

The suspicion that Dorticos plans similar tactics throughout his current Latin American trip has led Uruguay and Brazil to treat him properly but coolly and has elicited press criticism in Peru and Mexico. Strong differences over Castro continue to cause political tension in Venezuela, and President Betancourt has been trying to put off Dorticos' visit to Caracas. Meddling by Cuban officials in the domestic political affairs of other countries has already irritated several Latin American governments, but they hesitate to criticize the Castro regime because of its popularity among some politically important groups in their countries. [REDACTED]

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PART II**NOTES AND COMMENTS****PEIPING CHARGES UNITED STATES WITH "MILITARY PROVOCATIONS"**

Communist China's "serious warnings" now number 103, but no specific threat has been made to take retaliatory action against what Peiping claims are violations of its territorial sovereignty by US ships and planes. While a People's Daily editorial on 27 May postponed retribution to an indefinite "someday," the Chinese have attempted to capitalize on the warnings as "evidence" that the United States is committed to a policy of deliberate "military provocations."

Since 7 September 1958, when the first warning was issued, formalized protests charging "intrusions" have been routinely recorded by the Communist press. On 26 May, however, Chinese propaganda seized on the 100th "serious warning," issued the day before, as an occasion to sum up the accusations and use them in the campaign to justify Peiping's animosity toward the United States.

The Chinese probably calculated that a timely summation of their grievances would gain credibility as a result of publicity surrounding the U-2 incident. People's Daily contends that U-2's have intruded over China three times and links such "criminal acts against China" with intrusions over Soviet territory in such a way as to imply that Peiping had been right all along in its insistence that the United States is an implacable foe. The editorial comments pointedly that the Chinese people entertain no "unrealistic illusions regarding US imperialism."

People's Daily and other propaganda media insist that the US-Japanese security treaty and American bases in the Far East also "show that US imperialism has pursued a policy of war and aggression toward China." The "occupation of Taiwan" is loudly condemned but, as was the case during the mass rallies held after the summit collapse, as an adjunct to the general theme rather than a keynote.

While US military aid to the Chinese Nationalists has recently been cited as "aggravating tension in the Taiwan area," there has been no effort to whip up domestic enthusiasm for a "liberation" campaign. Also missing from the propaganda pattern which preceded the 1958 bombardment of the Chinmen Islands are the charges of Nationalist provocations and the insistence on "punishment"--- a line Peiping has used in its claim that the strait situation is part of the Chinese civil war.

There also are no specific military indications that Communist China plans to shift from "resolute struggle" by press and radio to more concrete action in the strait, although the Communist forces are capable of doing so with little or no warning. The Chinese may use President Eisenhower's visit to Taiwan as an excuse for an artillery demonstration that Peiping still retains the right to act when it pleases. Such a display broke the cease-fire when the late Secretary of State Dulles visited Taiwan in October 1958.

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LEONID BREZHNEV--NEW "PRESIDENT" OF THE USSR

On 7 May, Leonid Brezhnev was elected chairman of the Presidium of the USSR Supreme Soviet to succeed the 78-year-old Marshal Kliment Voroshilov as titular head of the Soviet state. Unlike his predecessor, Brezhnev is a dynamic party careerist whose rise into the



BREZHNEV

inner circle of the Kremlin hierarchy closely paralleled that of Khrushchev.

Brezhnev is little known outside the Soviet Union and appears to have had almost no contact with the Western diplomatic community in Moscow. He is 53 and a native Ukrainian. He is a graduate of both agricultural and metallurgical

institutes, and

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is also an alumnus of the central committee's Higher Party School. His association with the Soviet premier probably dates from 1938, when Khrushchev began his 12-year tenure as chief of the Ukrainian party and when Brezhnev himself was a regional party secretary in Dnepropetrovsk.

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Brezhnev seems to have made his way into the Kremlin through successful fulfillment of a series of party trouble-shooting assignments, often in areas where Khrushchev's personal policies were at stake. These include military service as chief of the political directorate of the Carpathian Military District immediately after the war, when the western Ukraine was plagued by political dissidence, and subsequent assignments as party boss in Zaporozhye and Dnepropetrovsk when rehabilitation of Ukrainian industry was a major Khrushchev concern.

Brezhnev became first secretary of the Moldavian party in 1950, following sharp criticism by Moscow of agricultural failures in the republic. At the 19th party congress, in 1952, he was elected a candidate member of the expanded party presidium and was named to the central

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committee secretariat, where he allegedly had some responsibilities for coordinating party affairs in the union republics. He lost both these jobs in the retrenchment which followed Stalin's death, however, and for over a year he was back in uniform as a lieutenant general and chief of the political directorate of the Navy.

Brezhnev's assignment as second secretary of the party in Kazakhstan in February 1954 suggests that he was to supervise the implementation of Khrushchev's New Lands program in that area; by mid-1955 he had become first secretary, but he was recalled to Moscow in February 1956 to serve again as a candidate member of the presidium and central committee secretary. His promotion to full presidium membership in June 1957 leaves little doubt that he threw his support to Khrushchev in the struggle against Malenkov, Molotov, and Kaganovich--the "antiparty" group.

A week after his appointment as chief of state, a high-ranking Soviet official stated that Brezhnev was no longer a

member of the party secretariat. However, no formal announcement of his removal from the secretariat has been made. He delivered the major speech at the all-army conference of political workers held in Moscow from 11 to 14 May; this suggests that he still exercised secretarial duties as of that time. He had--at least until his election--been central committee secretary charged with supervision of heavy industry and transportation; he also had some responsibilities for political work in the armed forces and may have been concerned in some way with the KGB.

Heretofore, the office of head of the Soviet state has been little more than a sinecure. If his election to this office has meant removal from the party secretariat, Brezhnev may be blocked from effective participation in party politics. Brezhnev may not be content to conform to the Voroshilov mold, however. As an ambitious and able administrator, he may try to develop his new job into a post of increasing political importance and from its vantage point to exercise a strong voice in Soviet political life.

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THE USSR AND WEST EUROPEAN ECONOMIC GROUPINGS

At the annual meeting of the UN Economic Commission for Europe, Moscow again this year advocated the establishment of a trade association including Western Europe, the USSR, and the Soviet satellites. This attempt and Moscow's offer to join the proposed Organization for Economic Cooperation and Development, which would include the United States and Canada as well as countries

of Western Europe, are seen as efforts to hamper Western European moves toward economic integration. These voluntary moves have been far more successful than has the Soviet-sponsored Council for Mutual Economic Assistance (CEMA).

The USSR has been severely critical of the six-country Common Market (EEC), with political and economic functions,

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and the European Free Trade Association (EFTA) of seven peripheral states, limited solely to economic functions. A major Soviet motive is to exploit the differences between the two groups--differences which the USSR may believe can be used to further the bloc's economic drive in the free world. Moscow accuses both groups of discriminating against the USSR and has requested that EFTA accord the USSR most-favored-nation treatment; this would make available to Moscow all the trade benefits granted within the organization.

EFTA members have replied that under the General Agreement on Tariffs and Trade, certain discrimination is allowed regional economic unions whose ultimate aim is the expansion of international trade. Furthermore, members of Western Europe's economic groupings have pointed out that the state-trading USSR, with built-in discrimination resulting from its arbitrary choice of sources of its purchases and its pricing policies, is unable to set satisfactory counterparts for trade concessions by a Western government, such as lowered tariffs or expanded quotas. They also comment that there is no more restrictive trading bloc in the world than that of the USSR and its Communist neighbors.

While some imports from the USSR are subject to quota limitations, the aim of the West European organizations is to end the quota system, initially by a single global quota to be filled from any sources. The schedule of common tariffs by members of the Common Market applies equally among nonmembers and does not impose any special discrimination on the USSR. The removal of quota restrictions and the lowering of tariffs within each of the groupings may make it more difficult at first for the bloc to compete at present bloc prices. Eventually, however, the bloc can share in the expected expansion in total demand for imports within the EEC and EFTA.

Soviet trade with West European countries--an important source of foreign exchange for the USSR--does not loom large in the trade of members of the West European organizations. Soviet exports to EFTA and EEC countries in 1959 totaled about \$550,000,000--about 40 percent of Soviet exports to non-bloc countries, but less than 2 percent of the total imports of the West European groups. Moscow apparently fears the development of anti-Soviet attitudes and imposition of common economic policies against the USSR.

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(Prepared by ORR)

YUGOSLAVIA PONDERES THE POST-SUMMIT PERIOD

Yugoslavia is seeking the cooperation of the "uncommitted" states for concerted action to ease the post-summit crisis. Belgrade probably believes this initiative will enhance Yugoslavia's international prestige and, by strengthening its

identification with the "uncommitted" countries, inhibit the bloc from mounting a sustained anti-Yugoslav campaign.

Since the summit breakdown, Tito has exchanged letters

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with Indian Prime Minister Nehru, UAR President Nasir, and probably other "uncommitted" leaders. Yugoslav editorial comment on recent developments indicates that Tito is probably urging the "uncommitted" states to exert concerted pressure on the great powers, both through diplomatic channels and the United Nations, to resume negotiations at the first opportunity. A "neutralist" summit meeting does not seem in prospect, however, for Nehru told a press conference in Damascus on 28 May that the "uncommitted" countries should not complicate the task of the big powers by holding a separate meeting.

Officials in Belgrade are concerned over future relations with the bloc. Albania--which has attacked Yugoslavia periodically during the past year--on 22 May resumed publication of cartoon caricatures of Tito. The 22 May issue of Kommunist, the theoretical journal of the Soviet Communist party categorically attacked Belgrade's foreign and domestic policies for the first time in over a year. On 27 May, Hungary failed to invite Yugoslav observers to the congress of its mass organization.

Nevertheless, the Tito regime apparently hopes that the worst features of the dispute will not be revived. Khrushchev addressed Tito as "comrade" in a birthday message on 25 May and a reception at the Yugoslav Embassy in Moscow marking the open-

in of a consumer goods exhibit was attended by Soviet presidium member Furtseva. Tito argues that although the bloc invective is ostensibly aimed at him, it is actually meant to be an attack on Khrushchev and his policies--an attack dictated by hard-liners within the Soviet party and elsewhere in the bloc.

This position enables Tito to rationalize the similarity of Soviet and Yugoslav foreign policies. For example, although Komunist, monthly organ of the Yugoslav party, on 25 May condemned Moscow Kommunist's "perversion" of Yugoslav policy and warned that it could "compromise the very principles of Soviet foreign policy," the Yugoslav journal avoided criticizing Khrushchev personally and praised his Berlin speech. In a speech on 28 May, moreover, Tito laid the bulk of the blame for the summit collapse on the United States.

Recent critical exchanges and propaganda, however, may have set in motion forces which will be difficult to control. Those satellites which are particularly antagonistic toward Yugoslavia will probably consider the Moscow Kommunist article a green light to resume attacks on Belgrade; no satellite has yet availed itself of this opportunity. Tito, for his part, may be expected to hold Yugoslavia to its independent policies and to refute all bloc accusations.

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EAST-GERMANS RENEW EFFORTS TO CURB REFUGEE FLOW

Khrushchev's statement in Berlin on 20 May that the German problem is to be held in abeyance for six or eight months has

left his minions in East Germany with the difficult problem of what to do about the many refugees who escape to the West.

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East Germans are turning again to this problem, this time probably to devise plans for greater controls at the boundaries between East Germany and East Berlin and within the country. The objective would be to prevent would-be refugees from reaching the place from which they can simply step on an elevated or subway train and reach freedom in a few minutes. Nothing is to be done to inhibit access from East Berlin to West Berlin, however, according to a statement attributed to Albert Norden, Socialist Unity (Communist) party (SED) politburo member.

The East Germans' pique over Khrushchev's decision to take no immediate move toward a Berlin settlement derives in large part from the fact that most of the 50,000 refugees who have fled this year have done so through the divided city. The regime has tried in many ways to stop the flow without actually sealing off the East - West Berlin boundary, all with very little success. The refugee flow--which in the week ending 24 May amounted to 3,428 (455 less than the preceding week)--continues at a high level.

Recent evidence shows that the East Germans now are making

spot checks to try to ferret out would-be refugees on elevated trains entering the city. Probably such measures will be stepped up as much as police manpower permits. Special emphasis may also be placed on week-end controls, since most refugees make their moves on non-workdays.

While such measures may reduce manpower losses, the escapes probably cannot be effectively prevented as long as there is free access across the East - West Berlin border, a situation which is undoubtedly contributing to the generally depressed state noted in the SED since Khrushchev's 20 May letdown.

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Meanwhile, the morale of the East German populace, usually in inverse proportion to that of the party, has probably been bolstered by Khrushchev's mild pronouncements in Berlin.

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RUMANIA SCHEDULES AMBITIOUS SIX-YEAR PLAN

The recently published draft directives on the Rumanian Six-Year Plan (1960-65) delineate an economic program that--while it does not measure up to the Bulgarian leap forward--is overambitious.

All major economic indicators show a faster planned rate of growth than characterized the Second Five-Year Plan (1956-60), which was terminated--although not fulfilled--a year ahead of schedule.

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The plan calls for the continued priority of heavy industry, specifying more than a 100-percent increase in output by 1965. Particular emphasis is to be placed on the expansion of the iron and steel industry, and high priority will be allocated to the power industry, the output of raw materials, and the machine-building and chemical industries.

The "most important industrial objective" in the plan period is the construction of a new iron and steel combine at Galati, to be commissioned in 1965 and to have a capacity by 1970 of 4,000,000 tons. Rumanian output of steel is to be 3,300,000 tons by 1965. If total output reached the probably unattainable goal of 7,500,000 tons by 1970, Rumania would be the third largest satellite producer of crude steel; 1959 output was only 1,400,000 tons. The success of the Rumanian program will depend on the development of new technology, in addition to the construction of a new combine and the expansion of other iron and steel facilities, and continued large imports of ore from the USSR. Rumania already must import nearly half of its requirements.

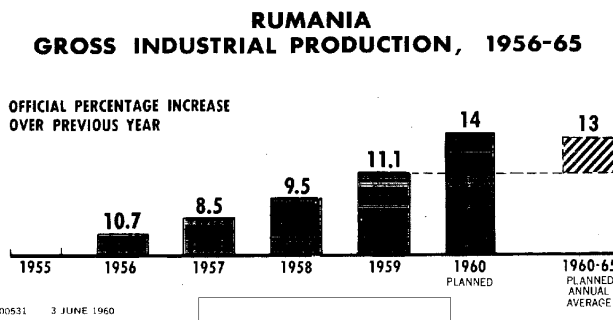
Machine-building is to expand rapidly if steel and other metals are available. Output of tractors is scheduled to jump from 11,000 to 25,000. The goal for producing machine tools is not likely to be achieved, however, unless new manufacturing facilities come into operation.

The production of crude oil, a slowly expanding industry

in recent years, is to be about 12,000,000 tons in 1965, little above the probable output of 1960. However, the slow expansion is to be compensated for by improved refining processes which are expected to increase the value of the refined petroleum.

Admitting that agricultural plans are "grandiose," Rumania has set a goal of expanding production by 70-80 percent, contrasted with the 28 percent announced for the previous six years. Compounding the difficulty, the base is one of Rumania's best postwar years, 1959.

The 1965 grain-production goal of 14,000,000 to 16,000,000 tons is essentially the same as that assigned by the second congress of the Rumanian Workers'



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party in December 1955 for attainment in 1960; it calls for a formidable achievement when compared with the 1959 output figure of 11,000,000 tons. The goals set for livestock production are even more unrealistic than those planned for crops. The major obstacles, aside from the possibility of unfavorable weather, are fodder shortages and the collectivists' unsatisfactory care of livestock.

Contingent on a substantial increase in output, the peasant's real income is to increase 40 percent during the plan period.

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Workers are to achieve about the same advance, depending on an increase in labor productivity of about 65 percent. However, some 25 percent of the increase in the gross industrial production is to come from increased industrial employment.

Urban housing construction is slated for rapid expansion. Some 300,000 apartments are to be built from state funds--over three times more than in the preceding six-year period.

More food and clothing have also been promised.

Although substantial increases in industrial production and some gains in agricultural output and the standard of living will probably be made by 1965, the regime will have great difficulty in achieving many of its goals--especially those for agriculture, iron, and steel, housing, and national income.

MIDDLE EAST DEVELOPMENTS**Iraq**

The Iraqi Government has obtained a new aid commitment of \$45,000,000 from the Soviet Union to be used for rehabilitation of the Basra-Baghdad railway. The project will involve construction of a new standard-gauge line connecting these cities and may also include procurement from the USSR of locomotives and other rolling stock. Premier Qasim has described work on this rail line as a "vital project"; the line's badly run-down condition has been a significant factor inhibiting economic development.

Moscow probably hopes this new loan, which is in addition to the \$137,500,000 economic credit granted in March 1959, will arrest the slow decline in Soviet-Iraqi relations--resulting from the Qasim regime's series of anti-Communist measures and signs that Baghdad would like to improve its relations with the West. In a press conference on 27 May, however, subsequent to announcement of the new aid, Qasim made it clear he intends to continue measures to undermine Iraqi Communists.

Qasim indicated that military trials of Communists and pro-Communists would continue, defended the sentencing of a Communist lawyer for contempt of court, and backed the Interior Ministry's rejection of the license application of the pro-Communist Republican party. He also said that as long as conditions in Iraq continue to be stable, he will not order execution of those condemned to death for participating in the attempt to assassinate him last October.

A decision announced last week by the Iraqi Court of Cassation, the final legal authority in matters concerning political parties and other public associations, has created new political confusion in Baghdad and caused embarrassment to the regime. It has increased the possibility that parliamentary elections, promised by Qasim for some time this summer, will be postponed.

On 24 May the court, which has previously showed its independence of regime policies by overruling the Interior Ministry's objections to granting a license to the Islamic party,

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upset another ruling of the ministry by declaring legal the election of Kamil Chadirchi's slate of candidates to head the National Democratic party (NDP). These party officers, who have the backing of most of the rank and file, have been pressing for withdrawal of NDP support from the regime. They have been opposed by a faction led by former Finance Minister Hadid which has insisted on continued NDP participation in the government.

The importance to Qasim of NDP support is not nearly so great as it was a few months ago; the backing of the army officer corps has become the crucial element for the viability of his regime. On the other hand, the socialist NDP remains the most influential non-Communist party in Iraq. Its membership includes a number of former cabinet ministers and leading intellectuals, and it has shown a capability in the past to compete with Iraqi Communists among the peasantry as well as in urban communities.

Thus Qasim can be expected to make further efforts to prevent the NDP from becoming an opposition party. Hadid may be encouraged to form a separate party in the hope that it can attract much of the present NDP membership. If, as is rumored, Chadirchi has to leave the country soon for medical treatment, the regime may instead work behind the scenes in his absence to compromise the differences between the party's opposing factions and retain their tacit support.

Lebanon

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While Cairo is thus exerting its influence on the Lebanese political scene, Lebanese security force leaders, often acting in the name of President Shihab, are playing an increasingly important role in some areas. They are exerting pressure for compromise election lists in certain constituencies and forcing the withdrawal of would-be candidates in others. Shihab, as well, is using his influence to favor candidates he wants elected. Former President Chamoun has filed his candidacy and very likely will be elected.

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Although the campaign continues with growing intensity, the situation remains relatively calm. Anti-UAR moderates, as well as extremists, are voicing their objections to election maneuvering by the authorities. These elections, which run on successive Sundays through 3 July, will probably bring a number of new faces into the forthcoming parliament.

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MOROCCAN ELECTIONS

The strength of rival Moroccan political groups was to some extent delineated in the 29 May local elections--the first nationwide balloting ever held in Morocco. Members of the rightist Istiqlal party won nearly half of the 10,000 municipal and local council seats at stake, while the leftist coalition known as the National Union of Popular Forces (UNFP) captured 30 percent. Both political groups, however, claim overwhelming victories. The UNFP won large majorities in the municipal councils of the key coastal industrial cities of Casablanca, Rabat, and Kenitra; Istiqlal gained majorities in the inland cities of Fez, Meknes, and Oujda.

The election was hotly contested despite the edict of King Mohamed V that balloting should be free from party politics. Political groups were hampered because their candidates were not permitted to indicate party affiliation and parties were not allowed to choose a single color for use throughout the country. Colored ballots enabled the illiterates--who make up 85 percent of the Moroccan population--to select the candidates of their choice. Absenteeism apparently was

slight, and most of the estimated 4,000,000 registered voters are reported to have gone to the polls.

On the eve of the elections, former Premier Abdallah Ibrahim and former Deputy Premier Abderahim Bouabid, dismissed by the King on 20 May, openly aligned themselves with the UNFP. Both probably delighted in the resounding defeat in Rabat of one of the Istiqlal candidates--Minister of National Economy and Finance Mohamed Douiri.

At a rally attended by some 10,000 persons held in Rabat on 27 May to present UNFP candidates, Bouabid made a thinly veiled attack on the King's new government installed the previous day. Obviously referring to the crown prince, who serves as his father's deputy premier, and to Douiri's recent attempt to undermine the Moroccan Labor Union, which comprises the bulk of the UNFP support, Bouabid declared that the "experiment which we are now undergoing in Morocco is not democracy but a fascist regime which some wish to impose."

Refusing to participate in the King's government, the UNFP probably will attempt to

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undermine the authority of the crown prince and some of the other ministers, although it is still loyal to the King personally. The coalition seeks early parliamentary elections and the promulgation of a constitution, both of which the

King has promised before the end of 1962. Should the crown prince use his authority to attempt to suppress the organization, it would probably resort to terrorist tactics which might jeopardize monarchical government in Morocco.

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ALGERIAN ELECTIONS

French officials in Algeria reportedly feel the cantonal elections of 27-29 May came off "about as well as could be expected." The participation of approximately 58 percent of eligible voters, in the face of stepped-up rebel terrorism and propaganda, was gratifying to French officials, who had feared that pre-election apathy might lead to a turnout of less than 50 percent and that the results would lend credibility to rebel claims to speak for most Algerian Moslems.

Of the 243 candidate lists, about 135 were regarded as favorable to De Gaulle's self-determination program, while about 50 supported the rightist program of integration with France. Others were less clearly committed on the question of Algeria's future. Of the successful lists in the 113 districts, about 60 percent were Gaullist and about 20 percent rightist. Only in the cities of Algiers and Oran did rightists dominate the voting.

While the elections did not result in a ringing endorsement of De Gaulle's program, the extent of Moslem participation--which was comparable to that in previous elections--is a setback for the rebels,

who made a particular effort to enforce a boycott. For the first time, the rebels launched a letter-writing campaign from Morocco, mailing warnings not to vote to individual Moslems in Algeria. Although terrorism appeared to increase in the pre-election period, skillful handling of the incidents by the French localized the effects of such intimidation. Stepped-up rebel attacks along the Moroccan and Tunisian borders--seemingly designed as a show of force prior to the elections--were repulsed by the French.

The seriousness with which the French are playing up the fighting along the Tunisian border, however, together with Paris' hints that France's allies might be helpful in this dangerous situation, suggests possible new moves by De Gaulle. On the basis of his solidarity with the US and Britain at the summit, he may press the United States to influence the Arab countries bordering Algeria to try to eliminate safe havens for rebel forces.

Rebel Information Minister Mohamed Yazid has stated that there are at present no contacts between the rebels and the Debré government. Individual Algerian officials have

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expressed the view that perhaps they should have responded more positively to De Gaulle's self-determination proposals of last September and have lately expressed misgivings concerning the rebels' bargaining position compared with that of nine months

ago. Any further direct initiative from France will probably be postponed at least until De Gaulle's speech on Algeria and internal affairs scheduled for 14 June as one of his three post-summit reports to the nation.

POLITICAL SITUATION IN KENYA

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Europeans in Kenya are increasingly apprehensive over a possible revival of Mau Mau terrorism in connection with the Africans' agitation for independence. Europeans opposed to African rule may form a single group and seek the support of conservative tribal chiefs. Meanwhile, rival nationalist leaders are acting to curb the activities of Tom Mboya and are attempting to set up a single party of their own; they are also exploiting to the maximum the Kenya Government's refusal to liberate Jomo Kenyatta, one-time Mau Mau leader.

The removal of travel restrictions against the Kikuyus--the tribe which provided the backbone of the Mau Mau insurrection--has been followed by the formation of at least one secret society dominated by Mau Mau adherents. Kenya authorities state that they have not determined whether the new group constitutes a threat to security, but the possibility of a Mau Mau revival has magnified the fears of Europeans already concerned over the prospect of eventual African rule.

African nationalist leaders, divided on such issues as whether to retain ministries in the Kenya Government, have united in demanding the release of Kenyatta. While some fear him as a political rival, he has been generally adopted as a symbol of the struggle for independence. To forestall charges that Kenyatta is being mistreated, the government has indicated that a nationalist

delegation may be allowed to visit him.

The establishment of a new African party--the Kenya African National Union (KANU)--appears to have been designed to give an appearance of unity to the nationalist movement and to isolate Tom Mboya's organization, the Nairobi People's Convention party. Mboya, a member of the Luo tribe, has lost influence in the nationalist movement since the Kikuyus became more politically active following the ending of the Mau Mau emergency. While his eclipse may prove only temporary, Mboya has lately been embarrassed by a general disavowal by fellow nationalists of his threat to call a general strike unless Kenyatta is released. Mboya was only belatedly offered the secondary post of secretary general in KANU.

In an effort to retard the pace of political change, many moderate as well as rightist Europeans lately have rallied to a political coalition sponsored by former Speaker of the House Sir Ferdinand Cavendish-Bentinck. Some of them believe London can still be pressed to slow the pace of Kenya's progress toward independence. Conservative tribes in the Kenya interior, including the Masai tribe and Kalenjin-speaking groups, are averse to the prospect of an independent Kenya under Kikuyu domination, and may be receptive to the idea of a multi-racial opposition to the Nairobi-based nationalists.

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MALI-FRANCE

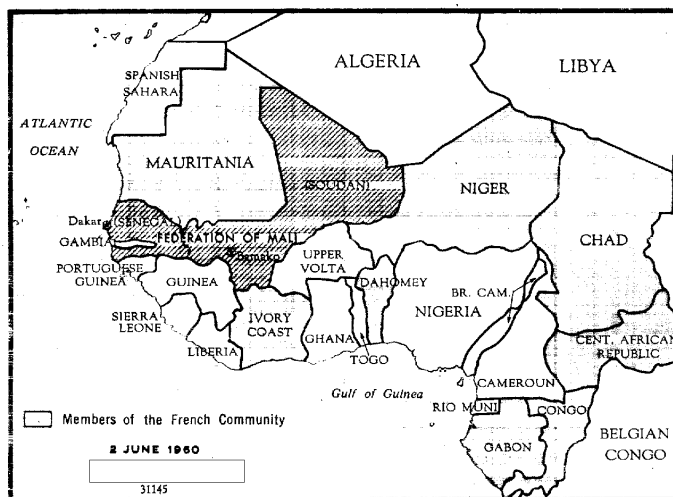
Future relations between France and the Mali Federation of Senegal and Soudan--which is to become sovereign within the French Community on 20 June--have been clouded by the apparent involvement of French rightist elements in a network smuggling arms from Senegal to opponents of President Touré's regime in Guinea. The affair has seriously shaken confidence in France among Senegal's moderate leaders, who until now have been an effective counter in the federal government to the influence of the more radical, pro-Guinean Soudanese.

Senegalese leaders had largely discounted allegations by Touré since mid-April that a French-directed plot against his regime had been mounted from neighboring Senegal and Ivory Coast. About two weeks ago, however, caches of arms were found in two Senegalese villages near the Guinean border, together with large quantities of tracts reportedly containing an appeal for a revolt against Touré by a group calling itself the Movement for Liberation and the Triumph of Liberties.

These discoveries, which followed a claim by Touré of a similar find on the Guinean side of the frontier, touched off a wide-ranging investigation by Senegalese authorities which so far has yielded at least one additional such cache. It apparently has also exposed an extensive clandestine network, composed of French, Senegalese, and dissident Guinean elements,

for infiltrating arms acquired from French Army depots in Senegal into the restless, Fulani-inhabited Fouta Djallon region of northern Guinea.

Senegalese authorities so far have moved cautiously in



apprehending individuals believed involved in these activities.

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the Senegalese, acutely embarrassed by their own earlier public denials of Touré's allegations, hold France responsible for not controlling implicated French elements, especially those within the army.

The result may be a sharp reaction in Mali against France, beginning with a move to cancel the military rights and assurances accorded Paris under one of several "cooperation agreements" initialed in April but not yet formally signed or ratified. Such a move would probably be accompanied by demands for the French Army's complete withdrawal from Mali.

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NEW LAOTIAN GOVERNMENT

King Savang, after considerable hesitation, has designated Tiao Somsanith, the 47-year-old interior minister in the outgoing caretaker government, to form a new government. Somsanith now is selecting his cabinet, which will include representatives of former Premier

the real power in his cabinet will be held by CDNI leader General Phoumi as defense minister.

The King would have preferred naming Phoumi premier; his decision to designate Somsanith was probably taken in large part out of deference to

Western concern that Phoumi's assumption of the premiership might spark a strong Communist reaction. Somsanith, a former national police chief, is widely respected and reputed to be an able administrator;

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SOMSANITH



PHOUMI

Phoui's Rally of the Lao People (RLP) and a few independents but is expected to be dominated by the militantly anti-Communist Committee for Defense of National Interests (CDNI). Somsanith will probably be interior minister as well as premier, but

responsible, position. A former RLP member, Somsanith joined the CDNI's new party, the Social Democratic party (SDP), and was elected its assembly floor leader and one of its vice presidents.

Somsanith's chances of gaining investiture by the recently

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elected 59-member National Assembly are reasonably good. His investiture will be almost certain if he gives the RLP adequate minority representation in the cabinet. The SDP claims to have a majority in the assembly, but if the RLP, with

over 20 deputies, were to vote as a bloc against him, Somsanith might have difficulty winning confirmation. A simple majority is required for investiture, but that majority cannot include the votes of deputies who are to be members of the cabinet.

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INDONESIA

President Sukarno returns to Indonesia on 4 June from a two-month global tour. The unprecedented criticism of him and his appointed parliament which developed during his absence has abated, and all opposition factions are making last-minute efforts to take positions acceptable to Sukarno in the hope of retaining political effectiveness.

As a result of these earlier pressures, however, non-Communist elements, including the army, expect the President to make at least token concessions on the installation and composition of the parliament which he named in late March and which is approximately 25-percent Communist. Apparently confirming these expectations, Acting President Djuanda announced on 19 May that Sukarno would hold further discussions regarding the "task and his expectations of parliament before it is installed." Any concessions on the parliament's membership will probably be explained to the public as a response to requests by the Nahdatul Ulama for increased Moslem representation and not the result of criticism by the far more vocal Democratic League.

Sukarno's violent denunciation in Tokyo on 29 May of

the Democratic League, the opposition coalition group organized last March, indicates that he will not negotiate with it and that probably he will take steps to destroy it politically. He denounced Democratic League leaders as fascists, rebel sympathizers, and betrayers of democracy "who want to change the situation by armed force."

Sukarno's attitude toward Army Chief of Staff General Nasution and other army leaders who quietly supported the league apparently will await his further assessment of the domestic situation. The army, in its preparation for Sukarno's return, has progressively withdrawn its support of the league and recently banned league activities in Central Java.

As a cover for political maneuvering during the next few weeks, Sukarno is likely to use the recently revived and highly emotional West Irian (Netherlands New Guinea) issue. Dutch naval units which left the Netherlands on 31 May on a flag-showing cruise expect to arrive in New Guinea in early August. Djakarta has treated the cruise as a direct challenge to Indonesia's claim to the area.

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SOUTH KOREAN SITUATION

Although former South Korean President Rhee's flight to Hawaii on 29 May led some student demonstrators to demand the resignation of the government of Acting Chief of State Huh Chung and the recall of American Ambassador McConaughy, the largely negative public response to the demonstrations reflects the high degree of public support enjoyed by the provisional government and its reform program. The demonstrators were easily dispersed by other students, and still others subsequently toured Seoul proclaiming their opposition to further disturbances. When Huh was interpellated by the National Assembly regarding Rhee's departure, the questioning was not unfriendly and appeared more for the record than to harass him.

The antigovernment demonstrators may have been acting under the influence of opportunistic radical elements. Encouraged by the new air of political freedom since Rhee's ouster, a number of small leftist and neofascist political parties have sprung to life. Such groups, however, appear unlikely to become a major political influence in the near future, although they may receive considerable support in the larger cities in the elections for a new National Assembly expected to be held next month.

With the approach of the elections, Huh may find it increasingly difficult to maintain orderly processes of government. Muckraking involving persons formerly and still in the government service has in-

creased and appears likely to continue. Although Huh seems determined to prevent the irresponsible ouster of qualified government personnel, exploitation by political aspirants of popular resentments against the Rhee regime might force him to expand the purge of civil and military officials tainted by association with the old government.

Recognizing the stabilizing role of the army, Huh has given strong indication of desiring to curtail the ouster of top military officers so as to minimize the adverse effect of command changes on army capabilities. However, General Paek Son-yop has submitted his resignation as chairman of the South Korean Joint Chiefs of Staff, and the ouster of other senior officers appears likely. The June graduation of senior officers from the advanced military schools, usually a time of large-scale reassignments, offers the occasion for such politically inspired personnel changes.

The new army chief of staff, Lt. Gen. Choe Yong-hui, is the former commanding general of the South Korean Army training command and has had wide command and combat experience. He has attended the Command and General Staff School at Ft. Leavenworth and is believed to be strongly pro-American.

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ITALY'S CHRISTIAN DEMOCRATS SIDE-STEP POLICY SHOWDOWN

The National Council, highest policy-making body of the Italian Christian Democratic party, wound up four days of debate at the end of May with an innocuous motion reaffirming the party's nominal adherence to a center-left orientation. Although there were some indications of increasing support for a government dependent on the Nenni Socialists, opinion remained strongly divided on an "opening to the left," and the issue in effect has been deferred until October, when the six-month mandate of the caretaker Tambroni government expires.

Significant developments in the council meeting were the definite break between party Secretary Aldo Moro and Foreign Minister Antonio Segni on the issue of Nenni Socialist support and the endorsement of the opening-to-the-left thesis by Labor Minister Zaccagnini. Previously Moro and Segni had been allied in a faction opposed to former Premier Amintore Fanfani, leading Christian Democratic proponent of reliance on Nenni.

In his speech opening the council meeting, Moro defended Fanfani's efforts during April to form a coalition government with Republican and Social Democratic parties and relying on the benevolent abstention of the Socialist party. Moro argued that such a government would not provide the Socialists with any "control over national life." Segni, on the other hand, argued that Socialist support, even in the form of abstention, would "condition" the policy of the government.

The continuing diffidence of Segni and most other Christian Democratic leaders toward the Socialists is to a large extent a reflection of the Catholic Church's recently reiterated opposition to collaboration with a Marxist party. As the semi-official Osservatore Romano reminded its readers on 17 May, a Catholic "in every sphere of his life must base his private and public conduct on the laws, indications, and instructions of the hierarchy."

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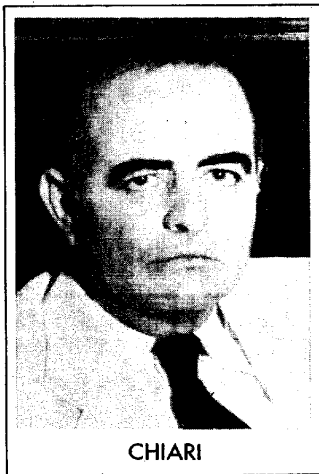
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PANAMA'S NEXT ADMINISTRATION

President-elect Roberto F. Chiari, who is to assume office on 1 October, is expected to head a weak coalition government similar to that of Panama's incumbent president, Ernesto de la Guardia. The 40-percent vote

to the government-favored candidate, but control of the newly elected 53-member National Assembly remains in doubt.

The 55-year-old Chiari, son of a former president, is a wealthy member of the small group of families which has controlled Panama since independence. Not a dynamic personality, Chiari apparently won largely because of the financial backing of business interests and the press support of the powerful, nationalistic publisher Harmodio Arias.



CHIARI

won by Chiari's four-party National Opposition Union (UNO) in the three-way presidential race on 8 May was evidently commanding enough to prevent any attempt to award the presidency

Both the newly elected vice presidents belong to political parties within the UNO coalition whose economic and political views differ from those of the Chiari party. First Vice President - elect Sergio Gonzales Ruiz is a US-educated surgeon who took a strongly nationalistic line during the election campaign, calling for the negotiation of a new treaty with the United States guaranteeing Panama's "full sovereignty in the Canal Zone." Gonzalez acquired

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of Chiari's government will depend largely on its ability to retain the firm support of the National Guard. Panama's only armed force, [redacted]

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Second Vice President - elect Jose D. Bazan, a former minister of government and justice in the De la Guardia cabinet, is the champion of lower income groups in Colon, Panama's second largest city. [redacted]

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[redacted] Bazan is generally believed to be friendly toward the US.

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Once the new administration takes office, quarrels over policy and the distribution of political sinecures are likely to pose a threat to the coalition's unity, and the stability

The strength of the Chiari regime will also depend on the degree to which it can improve economic conditions for Panama's restive middle and lower classes. Chiari's indebtedness to influential anti-US elements for his election victory indicates that he will probably seek to retain power and popularity by continuing to press for more canal benefits from the United States. [redacted]

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PART III**PATTERNS AND PERSPECTIVES****THE COMMUNIST PARTY IN CUBA**

Communists are playing a more extensive and active role in the revolutionary processes now remaking the economic and political life of Cuba than they ever did in Guatemala or any other Latin American country. In the 18 months since Castro came to power, they have benefited from the fact that his methods and aims have generally paralleled theirs, at least in the short run, and from the active assistance of the pro-Communists or crypto-Communists who are Castro's closest and most trusted aides. Castro himself has strongly implied, and other high-ranking officials have flatly asserted, that to be anti-Communist is to be "counterrevolutionary," and this statement has been a guide in the systematic purges that have periodically swept all areas of the government.

Communists or pro-Communists now hold positions of ultimate authority in the armed forces, the important National Agrarian Reform Institute, the National Bank, the Ministry of Public Works, various propaganda media, and organized labor. They also appear to exercise considerable influence in the formulation of foreign policy. In addition, Communists have succeeded in occupying a considerable number of lower and medium-level posts throughout the bureaucracy.

Party Policy

The Popular Socialist (Communist) party (PSP)--with a current membership of over 17,000; not including some 13,000 Communist youths--resumed overt activity immediately after the fall of the Batista dictatorship in January 1959. With the banning or official intimidation of the traditional

political parties, it has become the only organized party active in Cuba today. The PSP poses as Castro's most fervent supporter and consistently and vociferously defends his radical socio-economic program and his bitter anti-US campaigns. The PSP maintains its overt party apparatus and is expanding a network of front groups designed to appeal to virtually every population group in the country--women, youths, Negroes, Chinese, Spaniards, artists and intellectuals, and "peace-lovers."

At the same time, however, top PSP officials have generally remained in the background and refrained from actions that might attract undue attention to the party as a political competitor to Castro's 26th of July Movement. The party has not engaged in mass recruitment, apparently preferring to concentrate on indoctrination and a hard-core of well-disciplined members. Its real gains come from penetration of key positions throughout the principal areas of government.

The Armed Forces

Communist activity in the armed forces has followed two general directions: (1) political and social indoctrination of the common soldiers, most of them poorly educated, and of certain officer groups; and (2) active penetration at all levels by PSP militants and Communist-front members.

Castro's three closest aides, all of them pro-Communists, have had an active part in facilitating Communist success in the military. Major Raul Castro--major is the highest rank in the army--has directed the armed forces since February 1959; Major "Che"

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Guevara, now head of the National Bank, is also chief of training and indoctrination for the armed forces, and Captain Antonio Nunez Jimenez, now head of the agrarian reform institute, was initially involved in revising textbooks used in teaching illiterate soldiers.

The first armed forces indoctrination school was formed early in 1959 at the important La Cabana fortress, then commanded by Che Guevara. Since then, political indoctrination schools have become a familiar feature at almost all military facilities. Communists are believed to be on the teaching staffs.

and execution of policy by the National Agrarian Reform Institute (INRA), the instrument through which the regime is rapidly consolidating its control of the nation's agriculture, industry, and trade. Most provisions of the agrarian reform law as well as the measures implementing the law closely follow the PSP program.

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INRA regional chiefs do, in fact, appear to hold ultimate responsibility in their areas. At least six of the 35 members of the INRA directing council are believed to be Communists, and Communists are almost certainly entrenched in lower echelons of the institute which extend to the village and farm level.

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The Communists are also active in other areas of civil government. The judicial system is coming under steady Communist encroachment. Minister of Justice Yabur, although probably not himself a Communist, has numerous Communist advisers and has appointed several PSP members as court lawyers. The PSP, however, considers the judicial branch "very reactionary," according to a usually reliable source, and has formed a special committee of party members to "deal with the matter, although the party is not to appear to be the instigator.

The army is the most heavily infiltrated of the three services, although Communist penetration of the small air force has been increasing in the past year. Communist influence in the navy is still slight, but both navy and air force have been under Raul Castro's direct control since last October. Communists are also probably active in the "people's militia," composed of student, peasant, and labor groups and formed last October by the regime after months of Communist urging.

Government Bureaucracy

Communists are playing a major role in the formulation

In the Ministry of Education, the Communists have won strategic positions from which they are apparently able to appoint additional Communists to positions vacated by purged career employees. In Havana University, Communists are increasingly influential as the regime tightens its control over the teaching staff and student groups. Under the presidency of Che Guevara, the National Bank has become a "camp of Communists,"

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Welfare institutions are also a Communist

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target. The Ministry of Public Works, with a large reservoir of patronage, is headed by an individual who is probably a Communist.

Public Information Media

Since Castro came to power, the PSP has enjoyed complete freedom of propaganda and now controls an influential segment of Cuban news media. Its daily newspaper, Hoy, has a circulation of over 20,000. The party puts out more than ten other newspapers and magazines; operates several radio programs and at least one radio station; maintains bookstores throughout the country; manages a motion picture distributing firm; and publishes a weekly for Cuba's 30,000 Chinese in their own language, using type supplied by Peiping.

Communists also exert significant influence on many non-Communist news media. Revolucion, the regime's daily press organ, is directed by pro-Communist Carlos Franqui and has several Communists on its staff. Its propaganda is indistinguishable in many instances from the Communist line. The last two outspoken independent Cuban newspapers were seized by the government in May. Nearly all radio stations are run by the government, and the only television network which has so far escaped official intervention is expecting such a move imminently. These formerly independent and often strongly anti-Communist media now frequently use pro-Communist material.

The Cuban-organized and -subsidized international news agency Prensa Latina (PL), which reportedly receives financial backing from the USSR and Communist China, operates in 14 of the 19 other Latin American countries. The director and at least five of the chief editors are Communists or Communist

sympathizers. Since last January, PL has made exchange agreements with news agencies of the Soviet Union, Czechoslovakia, Poland, Bulgaria, East Germany, and Communist China, as well as with Yugoslav, UAR, Indonesian, and Japanese services. On 25 May, coincident with President Dorticos' trip to South America, the Castro regime inaugurated short-wave propaganda broadcasts to the rest of the hemisphere.

Organized Labor

The powerful Cuban Workers' Confederation (CTC), which has become the labor arm of the Castro regime, is a major target for PSP control and is the organization in which the Communists have been most open in their efforts to win dominance. The Communists, who controlled the confederation prior to 1947, had a nucleus of trained and experienced labor leaders when Castro took over the country at the beginning of 1959 and, despite temporary setbacks, have steadily regained influence in the organization.

Their rivalry with the non-Communist majority resulted in an open fight at the CTC congress last November which was ended only after Fidel Castro had personally intervened to restore "unity." Communists have been in the forefront in carrying out widescale purges of "counter-revolutionary," i.e., anti-Communist, labor leaders.

A labor minister unsympathetic to Communists was replaced in October by Raul Castro protégé Major Augusto Martínez Sánchez, who is enthusiastically supported by the Communists. Communists strongly backed the measure adopted last March giving the Ministry of Labor sole power to negotiate labor contracts. The ministry is also developing machinery that will enable it to control the hiring and firing of workers throughout the country.

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Foreign Policy

Castro's foreign policy, dominated by his sense of mission to "liberate" Cuba--as well as the rest of Latin America--from "US imperialism," has been ardently supported by the PSP. Although nominally "neutralist," Cuban policy has meant steadily closer relations with the Sino-Soviet bloc. The formal renewal of diplomatic relations with the USSR and Czechoslovakia in May followed growing economic, cultural, and labor ties between Cuba and the bloc.

Resumption of relations with Poland and recognition of Communist China are expected shortly. Large numbers of Soviet technicians or trade mission personnel began arriving in Cuba in May, presumably to help implement the Cuban-Soviet trade and credit agreements signed in February.

Under Castro, Cuban foreign affairs have been conducted on two levels: one in which the people are appealed to over the heads of their governments; and the other on the accepted state-to-state basis. Communists are influential in both. There has been some Communist penetration of the foreign service, even at the ambassadorial level. In Mexico, for instance, former Cuban Ambassador Massip was on close terms with the Soviet Embassy and local Communists, and Dr. Jose Antonio Portuondo, named in March to succeed him, is regarded as a Communist intellectual leader. Lesser embassy officials in a number of countries have been identified as Communists.

Communists have had even greater success in infiltrating and influencing Cuban policy on the informal "people-to-people" basis. In most Latin American countries, "societies of friends of Cuba" have been formed under the aegis of the Cuban embassies. They contain overt Communists and are indistinguishable from Communist fronts. Communists have also been active in the Cuban-sponsored subversive activities against the Dominican, Nicaraguan, Honduran, Guatemalan, and other governments of the Caribbean area. In many instances, it is difficult to determine whether the main impetus for carrying out these policies has come from the Castro regime or from the Communists, but in every instance the two seem to work closely together.

The Latin American Youth Congress, scheduled for July in Havana, was conceived by Castro as a rallying of the youth of the hemisphere in support of his revolution; in fact, it appears certain to be dominated by the Communists. The forthcoming youth congress, the meeting last March of representatives of various Latin American "peace" committees, the meetings of international labor representatives in Cuba, and other gatherings of Communist-front groups are all illustrative of the extent to which the world Communist movement can now use Cuba as a base for activity in other parts of the hemisphere.

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SOVIET RELATIONS WITH CAIRO AND BAGHDAD

Since its "breakthrough" in the Middle East in 1955 as a result of arms deals with Cairo, the USSR has worked steadily to eliminate Western influence in the area by building up "benefactor-client" relationships with the major Arab states. While Soviet bloc leaders look on such ties as groundwork for the emergence of pro-bloc or outright Communist regimes, their more immediate goal--as candidly admitted by Soviet First Deputy Premier Mikoyan in private in early 1957--is to eliminate Western military bases and to disrupt Western ties with Middle Eastern countries.

The Iraqi Coup

The overthrow of the pro-Western Hashimite government of Iraq in July 1958 marked a turning point in Soviet policy toward the Middle East. Prior to the coup, the USSR was able to reap substantial political gains merely by supporting Nasir and his brand of anti-Western Arab nationalism; however, the emergence of a revolutionary regime in Iraq, also espousing Arab nationalism and desirous of close ties with the bloc, presented Moscow with a series of situations which tended to involve the bloc in the re-emergence of the traditional rivalry between Cairo and Baghdad.

Immediately after the revolt in Baghdad, Soviet leaders acted to take advantage of the anti-Western feelings there by establishing close ties with the new regime.

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Almost all bloc countries concluded cultural pacts and trade accords and exchanged numerous delegations with Iraq in order--in Communist parlance--"to consolidate relations."

In this atmosphere of growing friendship with the bloc and of the policy of "neutrality" as then followed by Qasim, Iraqi Communists prospered. Although not represented in the cabinet, the party expanded into Iraq's only effective political grouping and successfully infiltrated some government offices--propaganda, economic planning, and agrarian reform--and professional and mass organizations.

Syrian Communists, encouraged by the successes of their Iraqi colleagues, began to engage in political agitation against the Nasir regime by exploiting Syrian grievances against Cairo. Khalid Bakdash, leading Arab Communist and head of the Syrian party, returned to Damascus on 5 October 1958 from the bloc, where he had criticized--almost certainly with Moscow's approval--UAR policies in public speeches and in bloc publications. This challenge to Nasir's control over Syria and signs that the USSR had come to regard Baghdad as a center of Arab nationalism rivaling Cairo were viewed by Nasir as a serious threat to UAR interests and his personal prestige.

Soviet-UAR Frictions

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Soviet relations with Cairo had flourished subsequent to the arms deal of mid-1955 and particularly after the Suez crisis

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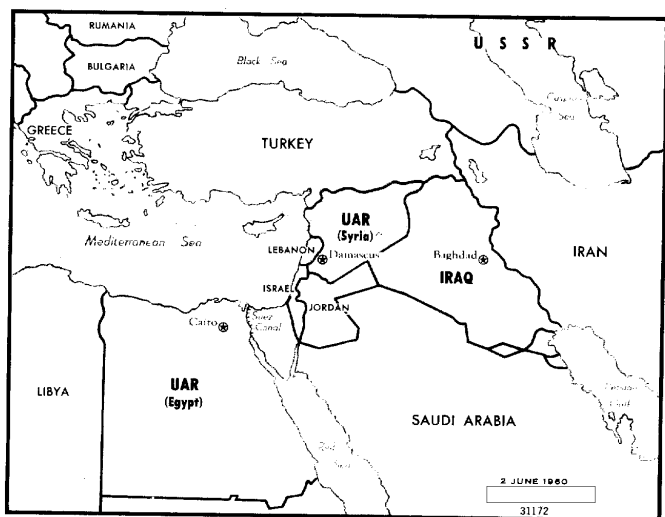
of late 1956, when the USSR gave Nasir strong diplomatic, propaganda, and apparently intelligence support. Moscow benefited in its efforts to gain a voice in Middle Eastern affairs; in Syria the example of Nasir's cooperation with the Soviet Union helped Syrian Communists and fellow-travelers make a strong bid to turn Syria into a "client" regime of the USSR.

Following the UAR merger in February 1958, however, Nasir suppressed the Syrian Communist party--then the Arab world's strongest--along with other Syrian political parties, thus irritating bloc leaders.

Soviet policy-makers, while realizing that Nasir was becoming increasingly upset over Arab Communist agitation and the competition with the Soviet Union for influence with the revolutionary regime in Baghdad, probably estimated that UAR dependence on the bloc for economic and military aid would keep Nasir from openly striking back. Soviet agreement to a new credit of \$100,000,000 to assist the building of the first stage of the Aswan High Dam project, announced during Vice President Amir's visit to Moscow in October, appears to have been in part an attempt to contain Nasir's irritation.

Nevertheless, Communist exploitation of the unsuccessful UAR-backed coup in early December 1958 against Qasim spurred Nasir to action. He ordered the arrest of key Communists in Syria and Egypt and, in a widely publicized speech at Port Said on 23 December, lashed out against Qasim and Arab Communists. Moscow initially tried to ignore the UAR assault, but on 28 January Khrushchev, speaking to the Soviet 21st party congress, counter-attacked by characterizing Nasir's anti-Communist campaign as

a "reactionary affair." He admitted ideological differences but reassured Cairo that Soviet economic aid would be continued.



Soviet annoyance with Nasir was further increased following the Iraqi coup when Cairo tried to act as intermediary for Soviet arms aid to Baghdad. In a visit to Cairo in September, Soviet party presidium member Mukhitdinov, a top Soviet figure in dealing with Asian and African governments, argued that new economic agreements between the UAR and the West would again give the "imperialists" a hold over the UAR's economy, and countered Nasir's complaints over Communist subversion with disclaimers of bloc support for the Arab Communists.

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Propaganda criticism by Iraqi Communists of the Cairo regime following another abortive UAR-supported coup attempt in early March stimulated Nasir to respond with attacks on Arab Communists as "agents" of the Soviet Union. Khrushchev again reacted publicly; he upbraided the UAR President for using the "language of imperialists" and sided openly with Baghdad in preference to the UAR on the grounds that Qasim's policies were more "progressive." A few days later Khrushchev sarcastically warned Nasir not to "strain himself" by taking on the task of combating Communism.

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While thus countering Nasir's accusations, Khrushchev also tried to discourage him from further polemics by pledging continuation of economic aid and noninterference in UAR internal affairs.

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Soviet-UAR Relations Today

The USSR has not succeeded in restoring the close political cooperation which existed previously. Soviet officials have attempted to inject a note of cordiality by such devices as briefing Nasir on the foreign ministers' meeting at Geneva last summer. Prior to his visit to the United States, Khrushchev solicited Nasir's views on Middle Eastern problems.

Moscow has also expanded its economic aid commitments to Cairo. In mid-January the USSR agreed to undertake the whole Aswan Dam project, presumably to foreclose the prospect of a West German offer to complete it. The USSR and other bloc countries are proceeding with industrial and other projects in Egypt and Syria under the various credits of 1957 and 1958 totaling more than \$650,000,000. To date, bloc arms costing more than \$700,000,000 have been delivered to the UAR.

In keeping with its effort to pose as a great-power protector of the Arabs against a Western-backed Israel, the USSR has continued to exploit anti-Israeli sentiments; in February, during the tension on the UAR-Israeli border, Soviet diplomats passed alarmist reports to Cairo. Moscow's rejection in early May of a bid made in late March by Ben-Gurion to pay an "unofficial" visit to the Soviet Union was apparently timed to exploit Arab feelings over the Cleopatra case.

The persistent criticism of UAR domestic policies emanating from Arab Communists in the bloc countries as well as in the Arab world remains an irritant in Soviet-UAR relations, however. Last November, in a talk with a UAR propaganda official, Khrushchev denied any direct contact with Arab Communists but expressed "sympathy"--implying that Moscow will continue its support of local Communists in the Middle East.

Bakdash, who again fled to the bloc in late 1958, has strongly attacked "Egyptian exploitation" of Syria with speeches in

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Peiping and Budapest and with articles in bloc and international Communist journals. Syrian Communists, supported by Iraqi and Lebanese parties, have tried to make common cause with disgruntled Syrian Baathists and have circulated clandestine newspapers and pamphlets in Syria. Bloc "voluntary" organizations and Communists throughout the Arab world are conducting a lengthy propaganda campaign protesting the UAR's suppression and trial of Communists, and especially the imprisonment of Farajalla Hilu, a top Lebanese Communist who was arrested in early 1959 while on a secret mission in Syria.

Moscow has not hesitated to respond in the Soviet press and in broadcasts to Arab listeners with counterpropaganda pressure to the periodic outbreaks against Arab Communist activities by Nasir and the UAR press.

Nasir remains heavily dependent on bloc aid for his military forces and for carrying through his highly publicized internal development programs. In a recent speech, he publicly praised bloc aid--while disparaging Western assistance--although he remains wary of bloc and Arab Communist subversive activities.

He told Ambassador Hare in late 1959 that it is "virtually impossible" for a non-Communist country to reach basic agreement with the USSR. Nasir's

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Soviet Relations With Iraq

Following the suppression of the Mosul insurgents by the Qasim regime with Communist aid in March 1959, the Iraqi Communist party made an all-out bid to consolidate its position and apparently to gain control over the government. In late April the Communists launched a propaganda drive for inclusion in the cabinet and, while openly trying to subvert the army, called on Qasim to purge the military and the government of anti-Communist elements. In their eagerness to remove the remaining barriers to power, however, the Communists overplayed their hand, and Iraqi public opinion reacted adversely over the Kirkuk incident in June when toughs killed a number of non-Communists and apparently tried to engineer a local takeover.

Qasim, who had used Communist support to balance nationalist opposition elements, then began a series of measures to undercut the Communists. The Iraqi leader in late 1959 covertly encouraged Daud al-Sayigh, a dissident Communist, to attack the orthodox group backed by Moscow--an effort to split Communist ranks. In February the government recognized Sayigh's splinter group as the legal "Communist party of Iraq," while refusing to license the orthodox party. The Qasim regime also fired the pro-Communist minister of economics, Dr. Muhammad Kubbah, who had negotiated the Soviet-Iraqi aid agreement, and practically disbanded the Popular Resistance Forces, which, in effect, had become a Communist paramilitary arm.

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While Iraqi Communist fortunes were in the ascendancy, Moscow referred favorably on numerous occasions to Qasim's "progressive" policies and to the support he received from Iraqi Communists. As anti-Communist measures developed in Baghdad, Soviet leaders, while undoubtedly displeased, continued their efforts to increase bloc ties with Iraq through additional economic and cultural agreements and by the use of "personal diplomacy."

Prior to his US visit, Khrushchev invited Qasim's views on Middle East Questions--as he had Nasir's--a device which reportedly "flattered" the Iraqi boss.

Nevertheless, Qasim's anti-Communist moves and a moderate improvement in Baghdad's relations with Western powers have produced a slow decline in Soviet-Iraqi relations and signs of concern in Moscow. In April, Moscow sent First Deputy Premier Mikoyan to Baghdad, ostensibly to open the Soviet exhibition but presumably also to make a firsthand assessment of Qasim's attitudes and policies.

While the talks between Mikoyan and Qasim did not go smoothly and no additional assistance was announced at the time, Baghdad revealed on 25 May that Moscow has agreed to increase its earlier credit by \$45,000,000, to be used for reconstruction of the Basra-Baghdad railway--a priority goal of the Iraqi Government.

Signs of recent coolness between the USSR and Iraq have been substantiated by the reported comments in mid-May of the Iraqi ambassador to the USSR that the two countries are "not as close as they were a few months ago" and that Soviet leaders are less and less well disposed toward Qasim.

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It seems unlikely, however, that either the Soviet or the Iraqi Government wishes to see the slow deterioration become an open break.

Conclusions

Arab Communist activities and the countermeasures taken by the UAR and Iraq have not only played a major role in cooling Moscow's relations with both countries, but also appear to have neutralized a considerable portion of the gains which Soviet leaders probably expected to score from the bloc's economic and military aid programs. Nevertheless, in allowing and even encouraging Arab Communists to criticize the policies of both the Nasir and Qasim regimes, Moscow is apparently willing to accept the adverse impact on Soviet relations with the leading Arab states.

The Soviet Union and other bloc countries can be expected to offer to expand their aid commitments to the Arab states in the months ahead and are likely to "balance" proposals to Baghdad or Cairo with equivalent bids to the other capital. Offers of additional assistance are particularly likely if bloc leaders feel it desirable to forestall the possibility of additional assistance from the West.

Similarly, Moscow--as part of its current anti-American line--may offer to extend additional aid on extremely favorable terms in order to "show up" American aid policies as a new form of "colonialism." On the basis of past practices, Moscow will probably continue

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to exploit Arab sensibilities
regarding Israel and Western
support and aid to Israel as
part of its effort to keep

Cairo or Baghdad from improving
ties with Western capitals.

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WAGE, SALARY, AND INCOME CHANGES IN THE USSR

The Khrushchev regime has taken a number of measures which are tending to redistribute incomes in the Soviet Union and narrow their wide spread. These include a substantial increase in agricultural incomes relative to incomes of urban workers; changes favorable to low-income groups in minimum wages, taxes, and pensions; and reductions in salaries and bonuses of some highly paid groups. Certain changes in regional wage scales and employment benefits are intended to narrow regional differences in income.

While these changes will have wide appeal to the public, they are intended in the main to bring the structure of incentives into line with the current needs of the economy. The regime has vigorously denied any intent to "level" incomes in accordance with Marxist precepts concerning the ultimate stage of Communism. The large relative increase in agricultural incomes is intended

to provide badly needed incentives to raise farm output; the 43,000,000 collective farmers had long been the "forgotten men" in Soviet society.

The narrowing of occupational and regional income differentials apparently is aimed at correcting "overcompensation" of professional manpower, which is no longer scarce, and "overcompensation" for regional differences in labor supplies and working conditions, which are no longer so great. By favoring the lower income groups during a period of relative labor scarcity, the regime probably also hopes to induce more women and youths to go to work.

These efforts to redistribute income have been made during a period when the total national product has risen rapidly--about 7 percent per year. This rapid rise has meant that the shares going to different groups can be altered without serious risk of producing unrest, since few incomes need be reduced.

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Changes in Agricultural Income

The incomes of collective farmers have been substantially raised through increases in the



prices of many agricultural commodities in 1953, 1954, and 1956, and through higher agricultural production and changes in tax and delivery obligations. Changes in the system of procurement prices in 1958, probably further increased the incomes of collective farmers.

Although the present relative income levels of farmers and urbanites cannot be estimated with any degree of accuracy, the difference has been reduced considerably since 1953. Average annual real income of collective farmers, including income in kind, rose 36 percent during 1953-58, while the average annual real earnings of state employees increased only 15 percent. The 1958 change in the system of procurement prices also narrowed the income differential among collective farmers by raising the average procurement prices for the products of low-income farms while maintaining or slightly lowering the average prices paid for the products of high-income farms.

Narrowing of the differential between rural and urban incomes also helped to minimize farm-to-city migration and the attendant pressures on housing

resources. It may even have gone further than the regime intended, for Khrushchev remarked in December 1959:

"...we understood that if we did not raise procurement prices, collective farms would not be able to get out of their difficult situations; collective farmers would not earn enough, since labor would be paid at a low rate and there would be no increase in labor productivity. Now ...wages of collective farmers have become higher. In some areas they are even considerably higher than the wages of workers; this is not just, because, as is known, the working class is the leading force in our society...Therefore...I consider the proposal for a re-examination of prices for some agricultural produce to be correct."

Nevertheless, the regime evidently intends to keep present urban-rural income differentials, since the Seven-Year Plan (1959-65) calls for a 40-percent rise in the real incomes of both collective farmers and state employees.

Occupational Wage Differentials

Since 1955 the USSR has been carrying out a major reform of the entire wage and salary structure to make it more uniform, equitable, and rational. One of the stated objectives of this reform--being carried out under the direction of the State Committee on Labor and Wages--is the narrowing of differences in income. Over the years the incomes of professional employees and production workers had been permitted to vary widely in order to induce people to acquire professional training. The regime evidently believes that such wide differences are no longer needed, now that

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professional manpower is more abundant.

The first major step in the narrowing of occupational differentials was taken in 1957, when the minimum monthly wage was raised from 220-225 rubles to 270-350 rubles, directly benefiting an estimated 8,000,000 workers. In addition, cuts in the salaries of government officials, scientists, and other highly paid professionals have been reported. Occupational differentials soon may be reduced even further, for the Seven-Year Plan calls for an increase in the minimum monthly wage to 500-600 rubles by 1965.

At least in industry, the earnings differentials between professionals and production workers have been narrowing for several decades. This development reflects not only the stabilization in the need for professionals but also the increased number of production workers with varying skills and the reduction in the need for unskilled workers as plants install more mechanized and automated equipment.

These differentials may be reduced even more as a result of limitations on the size of bonuses under the new system--affecting managers, engineers, and technicians--which has recently been introduced in industry, construction, transportation, and state agriculture. In contrast to the old system of paying bonuses for fulfillment and overfulfillment of the output plan, the new system bases bonus payments on fulfillment and overfulfillment of the cost plan and places limits on the size of bonuses.

One purpose of the wage reform may be to widen wage differentials between skilled and unskilled production workers in order to encourage the acquisition of manual skills. The educational reform heavily emphasizes vocational training in the secondary schools.

Regional Income Differentials

Changes in wages and benefits for persons employed in the "remote" regions have been increasingly discussed in the past few years. On 31 January 1959, Khrushchev interrupted A.I. Kirichenko's speech to the 21st party congress to note:

"You spoke correctly about the Far East and questions connected with the sending of cadres there, and the so-called allowances for difficult conditions of work. Is it not time for us to stop discriminating against the Far East and other remote regions?...? And is it not time that allowances on top of basic remuneration should be abolished...?"

In the past the Far East was indeed far...Now we get there from Moscow by air in six to eight hours...The climate there is healthy, and sick people often recover when they get beyond the Yenisei River."

Although living and working conditions probably have

**APPROVED SCHEDULE OF REGIONAL WAGE DIFFERENTIALS
FOR SOVIET INDUSTRIAL ENTERPRISES**
(CENTRAL REGION = 100)

Central, Southern, and Western Regions of European USSR	100
Southwestern Siberia, Kazakhstan, Central Asia, and Certain Areas in the Urals	110 - 120
Remote Northern Areas in European USSR, Southeastern Siberia, and Southern Areas of the Far East	120 - 130
The North and Other Remote Regions, Including Murmansk Oblast and the Central Regions of Siberia and the Far East	130 - 150
The Far North, Excluding Murmansk Oblast	150 - 170

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improved in the remote regions, major differences in prices and living conditions still exist. A new system of regional wage differentials applicable to all industry has recently been approved by the State Committee on Labor and Wages. This replaces a system under which separate differentials for each industry were established by the former industrial ministries.

That system had created very wide divergences in wages between plants and industries in the same locality--particularly in the Far North and Far East. The new regional rates are being introduced gradually as industrial enterprises shift over to the new wage system and the shorter workweek. The State Committee on Labor and Wages also is working out regional differentials applicable to transportation, services, state farms, and the like.

Although the evidence is not conclusive, the new system probably reduces regional wage differentials somewhat. Non-wage benefits--pension credits, certain leave allowances, and longevity bonuses--to workers in the Far North and other remote areas were reduced by a decree of the Supreme Soviet on 10 February 1960.

Changes in Income Taxation

The differentials in take-home pay between low- and high-paid workers also are being reduced by changes in income and related taxes. After minimum wages were increased to 270-350 rubles per month in 1957, income taxes and special taxes on single persons and small families were abolished for all persons earning less than 370 rubles per month. On 7 May 1960 the Supreme Soviet approved a law providing for the gradual abolition of taxes

on income and special taxes on bachelors during 1960-65. The take-home pay of persons earning 1,000 rubles or less per month will increase by the amount of the taxes they paid, but wages and salaries of persons earning over this amount will be lowered to eliminate some or all of the gain from the abolition of the tax.

The tax change also may alter somewhat the urban-rural and territorial income patterns. Because collective farmers are still required to pay the agricultural tax--a land tax equivalent to a tax on incomes from private plots--their spendable income will not be affected, but the take-home pay of most urban workers will be increased slightly. In addition, because persons employed in the Far North and the Far East earn relatively more than those in the Western USSR and are therefore more affected by the wage and salary decreases, the abolition of the income tax may reduce the average differential in take-home pay between the various regions in the USSR.

Pensions

Some further redistribution of income in favor of low-income groups may have been accomplished by the substantial increase in old age, disability, and veterans' pensions which took effect in October 1956. This measure--which added at least 13,000,000 rubles, or about 60 percent, to the annual cost of pensions, raised monthly old-age pensions from 210-240 rubles to 300-1,200 rubles. The minimum monthly pension is scheduled to be raised to about 400 rubles in 1963 and to about 500 rubles in 1966. At present there are more than 18 million state pensioners of all kinds, not including collective farmers.

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